

**REPORT OF THE AUDIT OF THE  
BALLARD COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BALLARD COUNTY FISCAL COURT**

**June 30, 2007**

Romaine & Associates, PLLC has completed the audit of the Ballard County Fiscal Court for fiscal year ended June 30, 2007.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Ballard County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$2,978,578 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,581,643 in its governmental activities as of June 30, 2007, with total net assets of \$2,939,924. In the business-type activities, cash and cash equivalents were \$32,903 with total net assets of \$38,654. The fiscal court had total debt principal as of June 30, 2006 of \$3,386,494 with \$466,259 due within the next year.

#### **Report Comments:**

- The Fiscal Court Should Approve All County Employees' Compensation Rates in Accordance With KRS 64.530(1)
- The Quarterly Financial Report Should Be Accurate in Accordance With KRS 68.020(4)

#### **Deposits:**

The county's deposits were fully insured and collateralized by bank securities.

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Krista Romaine, CPA, Member  
Charlotte Clark, Member

# Romaine *and* Associates PLLC

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CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathon Miller, Secretary  
Finance and Administration Cabinet  
Honorable Bob Buchanan, Former Ballard County Judge/Executive  
Honorable Vickie Viniard, Ballard County Judge/Executive  
Members of the Ballard County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Ballard County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Ballard County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not a required part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2008 on our consideration of Ballard County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Fiscal Court Should Approve All County Employees' Compensation Rates in Accordance With KRS 64.530(1)
- The Quarterly Financial Report Should Be Accurate in Accordance With KRS 68.020(4)

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA  
Romaine & Associates, PLLC

April 24, 2008

## BALLARD COUNTY OFFICIALS

For The Year Ended June 30, 2007

### **Fiscal Court Members:**

Bob Buchanan	Former County Judge/Executive
Vickie Viniard	County Judge/Executive
Steve Cooper	Magistrate
Larry Cooper	Magistrate
William Marshall	Magistrate
Robert Renfrow	Magistrate
Martin Flournoy	Magistrate

### **Other Elected Officials:**

Vicki Hayden	County Attorney
Mike Hom	Jailer
Lynn Lane	County Clerk
Faye Oldham	Circuit Court Clerk
Todd Cooper	Sheriff
Delores Hatler	Property Valuation Administrator
Robert Morrow	Coroner

### **Appointed Personnel:**

Belinda Foster	County Treasurer/Occupational
Jill Dupoyster	Finance Officer

**BALLARD COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,687,932	\$ 32,903	\$ 1,720,835
Assets Held For Sale	98,964		98,964
Total Current Assets	<u>\$ 1,786,896</u>	<u>\$ 32,903</u>	<u>\$ 1,819,799</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	\$ 221,845	\$	\$ 221,845
Buildings	3,664,107		3,664,107
Vehicles and Equipment	432,527	5,751	438,278
Infrastructure	221,043		221,043
Total Noncurrent Assets	<u>\$ 4,539,522</u>	<u>\$ 5,751</u>	<u>\$ 4,545,273</u>
Total Assets	<u>\$ 6,326,418</u>	<u>\$ 38,654</u>	<u>\$ 6,365,072</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	\$ 290,000	\$	\$ 290,000
Financing Obligations Payable	176,259		176,259
Total Current Liabilities	<u>\$ 466,259</u>	<u>\$</u>	<u>\$ 466,259</u>
Noncurrent Liabilities:			
Bonds Payable	\$ 2,750,000	\$	\$ 2,750,000
Financing Obligations Payable	170,235		170,235
Total Noncurrent Liabilities	<u>\$ 2,920,235</u>	<u>\$</u>	<u>\$ 2,920,235</u>
Total Liabilities	<u>\$ 3,386,494</u>	<u>\$</u>	<u>\$ 3,386,494</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 1,153,028	\$ 5,751	\$ 1,158,779
Restricted For:			
Debt Service	205,253		205,253
Unrestricted	1,581,643	32,903	1,614,546
Total Net Assets	<u>\$ 2,939,924</u>	<u>\$ 38,654</u>	<u>\$ 2,978,578</u>

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,920,442	\$ 660	\$ 98,001	\$ 67,450
Protection to Persons and Property	1,112,202	363,770	247,481	100,000
General Health and Sanitation	30,278			
Social Services	103,403			
Recreation and Culture	131,100			100,000
Roads	841,959		658,718	228,665
Interest on Long-term Debt and Short-term Debt	285,466			
Total Governmental Activities	\$ 4,424,850	\$ 364,430	\$ 1,004,200	\$ 496,115
Business-type Activities:				
Jail Canteen	\$ 16,004	\$ 5,397	\$	\$
Total Business-type Activities	\$ 16,004	\$ 5,397	\$	\$
Total Primary Government	\$ 4,440,854	\$ 369,827	\$ 1,004,200	\$ 496,115

**General Revenues:**

Taxes:

    Property

    Payroll

    Other Taxes

In Lieu Tax

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,754,331)	\$	\$ (1,754,331)
(400,951)		(400,951)
(30,278)		(30,278)
(103,403)		(103,403)
(31,100)		(31,100)
45,424		45,424
(285,466)		(285,466)
\$ (2,560,105)	\$	\$ (2,560,105)
\$	\$ (10,607)	\$ (10,607)
\$	\$ (10,607)	\$ (10,607)
(2,560,105)	(10,607)	(2,570,712)
782,710		782,710
1,043,546		1,043,546
44,737		44,737
7,283		7,283
2,163		2,163
303,249		303,249
89,993		89,993
\$ 2,273,681	\$	\$ 2,273,681
(286,424)	(10,607)	(297,031)
3,226,348	49,261	3,275,609
\$ 2,939,924	\$ 38,654	\$ 2,978,578

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**BALLARD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Occupational Tax Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,310	\$ 4,913	\$ 5,947	\$ 1,399,327
Total Assets	<u>\$ 4,310</u>	<u>\$ 4,913</u>	<u>\$ 5,947</u>	<u>\$ 1,399,327</u>
<b>FUND BALANCES</b>				
Unreserved:				
General Fund	\$ 4,310	\$ -	\$ -	\$ 1,399,327
Special Revenue Funds		4,913	5,947	
Debt Service Fund				
Total Fund Balances	<u>\$ 4,310</u>	<u>\$ 4,913</u>	<u>\$ 5,947</u>	<u>\$ 1,399,327</u>

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<u>Public Properties Corporaton</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 205,253	\$ 68,182	\$ 1,687,932
<u>\$ 205,253</u>	<u>\$ 68,182</u>	<u>\$ 1,687,932</u>
\$ -	\$ -	\$ 1,403,637
	68,182	79,042
<u>205,253</u>		<u>205,253</u>
<u>\$ 205,253</u>	<u>\$ 68,182</u>	<u>\$ 1,687,932</u>

**Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 1,687,932
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Assets Held For Resale Are Not Financial Resources And Therefore	
Are Not Reported in the Funds.	98,964
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	7,459,129
Accumulated Depreciation	(2,919,607)
Long-term debt is not due and payable in the current period and, therefore, is not	
reported in the funds.	
Financing Obligations	(346,494)
Bonded Debt	<u>(3,040,000)</u>
Net Assets Of Governmental Activities	<u>\$ 2,939,924</u>

**BALLARD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Occupational Tax Fund</u>
<b>REVENUES</b>				
Taxes	\$ 827,447	\$ -	\$ -	\$ 1,043,546
In Lieu Tax Payments	7,283			
Excess Fees	2,163			
Licenses and Permits	660			
Intergovernmental	198,073	887,383	332,762	
Charges for Services			44,992	
Miscellaneous	268,741	84,454	40,679	
Interest	441	1,492	22,103	63,759
Total Revenues	<u>\$ 1,304,808</u>	<u>\$ 973,329</u>	<u>\$ 440,536</u>	<u>\$ 1,107,305</u>
<b>EXPENDITURES</b>				
General Government	\$ 707,903		\$ -	\$ 208,237
Protection to Persons and Property	828		714,592	
General Health and Sanitation	16,513			
Social Services	103,403			
Recreation and Culture	131,100			
Roads		903,562		
Debt Service	12,004	62,983		
Capital Expenditures		246,565		87,553
Administration	409,134	222,335	179,268	12,185
Total Expenditures	<u>\$ 1,380,885</u>	<u>\$ 1,435,445</u>	<u>\$ 893,860</u>	<u>\$ 307,975</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (76,077)</u>	<u>\$ (462,116)</u>	<u>\$ (453,324)</u>	<u>\$ 799,330</u>
<b>Other Financing Sources (Uses)</b>				
Borrowed Money		98,964		
Transfers From Other Funds	385,000	580,000	445,000	114,259
Transfers To Other Funds	(317,000)	(334,259)		(1,557,250)
Total Other Financing Sources (Uses)	<u>\$ 68,000</u>	<u>\$ 344,705</u>	<u>\$ 445,000</u>	<u>\$ (1,442,991)</u>
Net Change in Fund Balances	\$ (8,077)	\$ (117,411)	\$ (8,324)	\$ (643,661)
Fund Balances - Beginning (restated)	12,387	122,324	14,271	2,042,988
Fund Balances - Ending	<u>\$ 4,310</u>	<u>\$ 4,913</u>	<u>\$ 5,947</u>	<u>\$ 1,399,327</u>

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<u>Public Properties Corporation</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ -		\$ 1,870,993
		7,283
		2,163
		660
67,450	29,357	1,515,025
	204,140	249,132
4,158	5,146	403,178
1,943	254	89,992
<u>\$ 73,551</u>	<u>\$ 238,897</u>	<u>\$ 4,138,426</u>
\$ -	\$ -	\$ 916,140
	268,991	984,411
	13,765	30,278
		103,403
		131,100
		903,562
2,070,577	13,929	2,159,493
	338,950	673,068
	47,223	870,145
<u>\$ 2,070,577</u>	<u>\$ 682,858</u>	<u>\$ 6,771,600</u>
<u>\$ (1,997,026)</u>	<u>\$ (443,961)</u>	<u>\$ (2,633,174)</u>
1,675,000		1,773,964
266,746	417,504	2,208,509
		(2,208,509)
<u>\$ 1,941,746</u>	<u>\$ 417,504</u>	<u>\$ 1,773,964</u>
\$ (55,280)	\$ (26,457)	\$ (859,210)
260,533	94,639	2,547,142
<u>\$ 205,253</u>	<u>\$ 68,182</u>	<u>\$ 1,687,932</u>

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ (859,210)

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	673,068
Depreciation Expense	(299,309)
Assets held for resale	98,964

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Proceeds From Short-term Debt	(98,964)
Proceeds From Long-term Debt	(1,675,000)
Bond Principal Payments	145,000
Prior Bond Refund Principal Payments	1,655,000
Financing Obligation Principal Payments	<u>74,027</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (286,424)</u></u>
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**BALLARD COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 32,903
Total Current Assets	<u>\$ 32,903</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	\$ 8,476
Less Accumulated Depreciation	<u>(2,725)</u>
Total Noncurrent Assets	<u>\$ 5,751</u>
Total Assets	<u><u>\$ 38,654</u></u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	\$ 5,751
Unrestricted	<u>32,903</u>
Total Net Assets	<u><u>\$ 38,654</u></u>

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 5,397
Total Operating Revenues	<u>\$ 5,397</u>
<b>Operating Expenses</b>	
Work Release	\$ 1,327
Educational and Recreational	1,045
Depreciation	1,211
Miscellaneous	12,421
Total Operating Expenses	<u>\$ 16,004</u>
Operating Income (Loss)	<u>\$ (10,607)</u>
Change In Net Assets	\$ (10,607)
Total Net Assets - Beginning	49,261
Total Net Assets - Ending	<u><u>\$ 38,654</u></u>

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 5,397
Work Release	(1,327)
Educational and Recreational	(1,045)
Miscellaneous	(12,421)
Net Cash Provided By Operating Activities	(9,396)
 Net Increase (Decrease) in Cash and Cash Equivalents	 \$ (9,396)
Cash and Cash Equivalents - July 1, 2006	42,299
 Cash and Cash Equivalents - June 30, 2007	 \$ 32,903

The accompanying notes are an integral part of the financial statements.

**BALLARD COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income (Loss)	\$ (10,607)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>1,211</u>
Net Cash Provided By Operating Activities	<u><u>\$ (9,396)</u></u>

**BALLARD COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

**BALLARD COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u>Agency Fund</u>	
	<u>Jail Inmate Fund</u>	<u>Medical Reimbursement Fund</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 11,586	\$ 7,506
Total Assets	<u>\$ 11,586</u>	<u>\$ 7,506</u>
<b>Liabilities</b>		
Current Liabilities:		
Amounts Held In Custody For Others	\$ 11,586	\$ 7,506
Total Liabilities	<u>\$ 11,586</u>	<u>\$ 7,506</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Ballard County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Ballard County Public Properties Corporation**

The Ballard County Fiscal Court appoints a voting majority of the Ballard County Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Ballard County Public Properties Corporation.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Ballard County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Ballard County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Ballard County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Public Properties Corporation** - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

**Occupational Tax Fund** - The purpose of this fund is to account for payroll tax receipts and expenses. The occupational tax fund may be used for general purpose expenses which the county budgeted for general government, debt service, capital projects and administration for the fiscal year. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: DES Fund and Ambulance Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, DES Fund, Ambulance Fund and Occupational Tax Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Debt Service Funds**

The Ballard County Public Properties Corporation is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Jail Inmate Fund - This fund is maintained by the Ballard County Jailer and accounts for monies belonging to the individuals incarcerated at the Ballard County Detention Center.

Medical Reimbursement Fund – This fund was established to account for a flexible spending account offered to the Ballard County employees. If an employee elects not to participate in the County's health insurance program, their employer's monthly health premium contribution is deposited and held in their name to be used by the employee for qualifying medical expenses.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 5,000	10-60
Buildings	\$ 5,000	10-75
Building Improvements	\$ 5,000	10-20
Machinery and Equipment	\$ 5,000	3-10
Vehicles	\$ 5,000	1-10
Infrastructure	\$ 5,000	10-30

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Governor's Office of Local Development does not require the Public Properties Corporation to be budgeted because debt payments are budgeted in other funds and transferred to the Public Properties Corporation.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Jointly Governed Organizations**

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Ballard County Fiscal Court: Ballard/Carlisle/Livingston Pubic Library and Ballard County Recreational Board.

**Note 2. Deposits**

The Ballard County Fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a depository policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 221,845	\$	\$	\$ 221,845
Total Capital Assets Not Being Depreciated	\$ 221,845	\$	\$	\$ 221,845
Capital Assets, Being Depreciated:				
Buildings	\$ 5,434,609	\$ 338,950	\$	\$ 5,773,559
Vehicles and Equipment	1,129,607	105,453		1,235,060
Infrastructure		228,665		228,665
Total Capital Assets Being Depreciated	\$ 6,564,216	\$ 673,068	\$	\$ 7,237,284
Less Accumulated Depreciation For:				
Buildings	\$ (1,904,398)	\$ (205,054)	\$	\$ (2,109,452)
Vehicles and Equipment	(715,900)	(86,633)		(802,533)
Infrastructure		(7,622)		(7,622)
Total Accumulated Depreciation	\$ (2,620,298)	\$ (299,309)	\$	\$ (2,919,607)
Total Capital Assets, Being Depreciated, Net	\$ 3,943,918	\$ 373,759	\$	\$ 4,317,677
Governmental Activities Capital Assets, Net	\$ 4,165,763	\$ 373,759	\$	\$ 4,539,522
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 8,476	\$	\$	\$ 8,476
Total Capital Assets Being Depreciated	\$ 8,476	\$	\$	\$ 8,476
Less Accumulated Depreciation For:				
Vehicles and Equipment	\$ (1,514)	\$ (1,211)	\$	\$ (2,725)
Total Accumulated Depreciation	\$ (1,514)	\$ (1,211)	\$	\$ (2,725)
Total Capital Assets, Being Depreciated, Net	\$ 6,962	\$ (1,211)	\$	\$ 5,751
Business-Type Activities Capital Assets, Net	\$ 6,962	\$ (1,211)	\$	\$ 5,751

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 134,157
Protection to Persons and Property	127,791
Roads	<u>37,361</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 299,309</u>

Business-Type Activities

Jail Canteen	<u>\$ 1,211</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,211</u>

**Note 4. Short-term Debt**

In May 2007, Ballard County purchased a Mack truck for the road department through the Kentucky Association of Counties Leasing Trust by entering a lease in the amount of \$98,964, at 3.95% interest, with principal and interest due in May 2008.

Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
KACoLT				
Truck Lease	<u>\$</u>	<u>\$ 98,964</u>	<u>\$</u>	<u>\$ 98,964</u>
Short-term Liabilities	<u>\$</u>	<u>\$ 98,964</u>	<u>\$</u>	<u>\$ 98,964</u>

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Detention Facility Refinancing Bonds, Series 2002**

Ballard County issued general obligation detention facility refinancing bonds, series 2002, dated October 1, 2002, for the purpose of 1) advance refunding all of the outstanding Series 1995A bonds issued by the Ballard County Public Properties Corporation; and, 2) paying the cost of issuance on the bonds. As of June 30, 2005, the Series 1995A bonds had been called. Ballard County issued \$2,070,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2007, outstanding bond principal was \$1,365,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	150,000	50,170
2009	150,000	45,520
2010	160,000	40,495
2011	165,000	34,895
2012	170,000	28,790
2012-2015	570,000	46,410
Totals	<u>\$ 1,365,000</u>	<u>\$ 246,280</u>

**B. Courthouse Facility First Mortgage Refunding Revenue Bonds, Series 2007**

The Ballard County Public Properties Corporation issued first mortgage refunding revenue bonds, series 2007, dated February 8, 2007, for the purpose of 1) advance refunding all of the outstanding Series 1995B bonds issued by the Ballard County Public Properties Corporation; and, 2) paying the cost of issuance on the bonds. As of June 30, 2007, the Series 1995B bonds had been called. Ballard County issued \$1,675,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2007, outstanding bond principal was \$1,675,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	140,000	65,324
2009	145,000	55,166
2010	155,000	49,766
2011	160,000	44,096
2012	165,000	38,226
2013-2017	910,000	93,288
Totals	<u>\$ 1,675,000</u>	<u>\$ 345,866</u>

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**C. Financing Agreement - Road Project**

On November 1, 2000, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the financing of a road paving project to be located and used in Ballard County, Kentucky. The principal of the lease is \$500,000 with repayment to be made over a ten year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2007, outstanding lease principal was \$198,914. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	53,332	8,878
2009	56,062	6,153
2010	58,932	3,293
2011	<u>30,588</u>	<u>529</u>
Totals	<u>\$ 198,914</u>	<u>\$ 18,853</u>

**D. Financing Agreement - Ambulance**

On July 20, 2004, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of an ambulance to be used in Ballard County, Kentucky. The principal of the lease is \$63,549 with repayment to be made over a five year period. Principal payments are due monthly on the 20th of each month in variable amounts. Interest at a fixed rate of 2.8% plus associated fees are due monthly in variable amounts. As of June 30, 2007, outstanding lease principal was \$26,477. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	13,056	769
2009	<u>13,421</u>	<u>294</u>
Totals	<u>\$ 26,477</u>	<u>\$ 1,063</u>

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**E. Financing Agreement - Recording Equipment**

On June 24, 2004, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of recording equipment to be used in the Ballard County Clerk's office. The principal of the lease is \$53,000 with repayment to be made over a five year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2007, outstanding lease principal was \$22,139. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	10,907	877
2009	11,232	323
Totals	<u>\$ 22,139</u>	<u>\$ 1,200</u>

**F. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,510,000	\$	\$ 145,000	\$ 1,365,000	\$ 150,000
Revenue Bonds	1,655,000	1,675,000	1,655,000	1,675,000	140,000
Financing Obligations	321,557		74,027	247,530	77,295
Governmental Activities Long-term Liabilities	<u>\$ 3,486,557</u>	<u>\$ 1,675,000</u>	<u>\$ 1,874,027</u>	<u>\$ 3,287,530</u>	<u>\$ 367,295</u>

**Note 6. Interest On Long-term Debt and Short-term Debt**

Interest on Long-term Debt on the Statement of Activities includes \$14,889 in interest on financing obligations and \$270,577 in interest and redemption costs on bonds.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. The County's contributions to the retirement plan were \$ 127,671 in 2005, \$ 179,272 in 2006, and \$ 205,626 in 2007.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

The Ballard County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2007, Ballard County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 10. Prior Period Adjustment**

The beginning net assets of governmental activities and the beginning fund balance for the Jail Fund have been adjusted to include \$ 9,874 of prior year voided checks.

**Note 10. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2007 was a s follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Assets Held For Resale:				
Vehicles	\$	\$ 98,964	\$	\$ 98,964
	<u>\$</u>	<u>\$ 98,964</u>	<u>\$</u>	<u>\$ 98,964</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 818,000	\$ 818,000	\$ 827,447	\$ 9,447
In Lieu Tax Payments	6,500	6,500	7,283	783
Excess Fees	14,300	14,300	2,163	(12,137)
Licenses and Permits	800	800	660	(140)
Intergovernmental Revenue	2,064,546	2,064,546	198,073	(1,866,473)
Miscellaneous	90,960	90,960	268,741	177,781
Interest	2,400	2,400	441	(1,959)
Total Revenues	<u>\$ 2,997,506</u>	<u>\$ 2,997,506</u>	<u>\$ 1,304,808</u>	<u>\$ (1,692,698)</u>
<b>EXPENDITURES</b>				
General Government	\$ 727,338	\$ 839,928	\$ 707,903	\$ 132,025
Protection to Persons and Property	2,828	2,828	828	2,000
General Health and Sanitation	15,743	16,863	16,513	350
Social Services	1,983,046	1,985,449	103,403	1,882,046
Recreation and Culture	50,000	131,100	131,100	
Debt Service	365,500	116,564	12,004	104,560
Administration	399,000	450,723	409,134	41,589
Total Expenditures	<u>\$ 3,543,455</u>	<u>\$ 3,543,455</u>	<u>\$ 1,380,885</u>	<u>\$ 2,162,570</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (545,949)</u>	<u>\$ (545,949)</u>	<u>\$ (76,077)</u>	<u>\$ 469,872</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money	\$ 350,000	\$ 350,000	\$	\$ (350,000)
Transfers From Other Funds	260,174	260,174	385,000	124,826
Transfers To Other Funds	(114,225)	(114,225)	(317,000)	(202,775)
Total Other Financing Sources (Uses)	<u>\$ 495,949</u>	<u>\$ 495,949</u>	<u>\$ 68,000</u>	<u>\$ (427,949)</u>
Net Changes in Fund Balance	\$ (50,000)	\$ (50,000)	\$ (8,077)	\$ 41,923
Fund Balance - Beginning	50,000	50,000	12,387	(37,613)
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 4,310</u>	<u>\$ 4,310</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 952,554	\$ 952,554	\$ 887,383	\$ (65,171)
Miscellaneous	252,692	252,692	84,454	(168,238)
Interest	15,000	15,000	1,492	(13,508)
Total Revenues	<u>\$ 1,220,246</u>	<u>\$ 1,220,246</u>	<u>\$ 973,329</u>	<u>\$ (246,917)</u>
<b>EXPENDITURES</b>				
Roads	\$ 1,357,907	\$ 1,326,494	\$ 903,562	\$ 422,932
Debt Service	190,400	124,697	62,983	61,714
Capital Projects			246,565	(246,565)
Administration	145,000	242,116	222,335	19,781
Total Expenditures	<u>\$ 1,693,307</u>	<u>\$ 1,693,307</u>	<u>\$ 1,435,445</u>	<u>\$ 257,862</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (473,061)</u>	<u>\$ (473,061)</u>	<u>\$ (462,116)</u>	<u>\$ 10,945</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money	\$ 185,000	\$ 185,000	\$ 98,964	\$ (86,036)
Transfers To Other Funds			(334,259)	(334,259)
Transfers From Other Funds	278,061	278,061	580,000	301,939
Total Other Financing Sources (Uses)	<u>\$ 463,061</u>	<u>\$ 463,061</u>	<u>\$ 344,705</u>	<u>\$ (118,356)</u>
Net Changes in Fund Balance	\$ (10,000)	\$ (10,000)	\$ (117,411)	\$ (107,411)
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>122,324</u>	<u>112,324</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,913</u>	<u>\$ 4,913</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 477,000	\$ 477,000	\$ 332,762	\$ (144,238)
Charges for Services	58,600	58,600	44,992	(13,608)
Miscellaneous	52,250	52,250	40,679	(11,571)
Interest	27,300	27,300	22,103	(5,197)
Total Revenues	<u>\$ 615,150</u>	<u>\$ 615,150</u>	<u>\$ 440,536</u>	<u>\$ (174,614)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 740,719	\$ 712,548	\$ 714,592	\$ (2,044)
Administration	150,500	178,671	179,268	(597)
Total Expenditures	<u>\$ 891,219</u>	<u>\$ 891,219</u>	<u>\$ 893,860</u>	<u>\$ (2,641)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (276,069)</u>	<u>\$ (276,069)</u>	<u>\$ (453,324)</u>	<u>\$ (177,255)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	\$ 275,069	\$ 275,069	\$ 445,000	\$ 169,931
Total Other Financing Sources (Uses)	<u>\$ 275,069</u>	<u>\$ 275,069</u>	<u>\$ 445,000</u>	<u>\$ 169,931</u>
Net Changes in Fund Balance	\$ (1,000)	\$ (1,000)	\$ (8,324)	\$ (7,324)
Fund Balance - Beginning (Restated)	<u>1,000</u>	<u>1,000</u>	<u>14,271</u>	<u>13,271</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,947</u>	<u>\$ 5,947</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>OCCUPATIONAL TAX FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,116,713	\$ 1,116,713	\$ 1,043,546	\$ (73,167)
Interest	115,750	115,750	63,759	(51,991)
Total Revenues	<u>\$ 1,232,463</u>	<u>\$ 1,232,463</u>	<u>\$ 1,107,305</u>	<u>\$ (125,158)</u>
<b>EXPENDITURES</b>				
General Government	\$ 393,190	\$ 394,850	\$ 208,237	\$ 186,613
Debt Service	1,217,460	1,217,460	-	1,217,460
Capital Projects	840,763	836,956	87,553	749,403
Administration	5,100	7,247	12,185	(4,938)
Total Expenditures	<u>\$ 2,456,513</u>	<u>\$ 2,456,513</u>	<u>\$ 307,975</u>	<u>\$ 2,148,538</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (1,224,050)</u>	<u>\$ (1,224,050)</u>	<u>\$ 799,330</u>	<u>\$ 2,023,380</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Transfers To Other Funds	(776,219)	(776,219)	(1,557,250)	(781,031)
Transfers From Other Funds			114,259	114,259
Total Other Financing Sources (Uses)	<u>\$ (426,219)</u>	<u>\$ (426,219)</u>	<u>\$ (1,442,991)</u>	<u>\$ (1,016,772)</u>
Net Changes in Fund Balances	\$ (1,650,269)	\$ (1,650,269)	\$ (643,661)	\$ 1,006,608
Fund Balances - Beginning	<u>1,650,269</u>	<u>1,650,269</u>	<u>2,042,988</u>	<u>392,719</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,399,327</u>	<u>\$ 1,399,327</u>

**BALLARD COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level. The jail fund expenditures exceeded budgeted expenditures by \$2,641.

**BALLARD COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**

**BALLARD COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

June 30, 2007

	<b>DES Fund</b>	<b>Ambulance Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 51,877	\$ 16,305	\$ 68,182
Total Assets	<u>\$ 51,877</u>	<u>\$ 16,305</u>	<u>\$ 68,182</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	<u>\$ 51,877</u>	<u>\$ 16,305</u>	<u>\$ 68,182</u>
Total Fund Balances	<u>\$ 51,877</u>	<u>\$ 16,305</u>	<u>\$ 68,182</u>

**BALLARD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**

**BALLARD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<u>DES Fund</u>	<u>Ambulance Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ 3,281	\$ 26,076	\$ 29,357
Charges for Services		204,140	204,140
Miscellaneous	1,359	3,787	5,146
Interest		254	254
Total Revenues	<u>\$ 4,640</u>	<u>\$ 234,257</u>	<u>\$ 238,897</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property	\$ 20,625	\$ 248,366	\$ 268,991
General Health and Sanitation	13,765		13,765
Debt Service		13,929	13,929
Capital Expenditures		338,950	338,950
Administration	6,055	41,168	47,223
Total Expenditures	<u>\$ 40,445</u>	<u>\$ 642,413</u>	<u>\$ 682,858</u>
Excess (Deficiency) of Revenues Over			
Expenditures Before Other			
Financing Sources (Uses)	<u>\$ (35,805)</u>	<u>\$ (408,156)</u>	<u>\$ (443,961)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers From Other Funds	\$ 30,000	387,504	\$ 417,504
Total Other Financing Sources (Uses)	<u>\$ 30,000</u>	<u>\$ 387,504</u>	<u>\$ 417,504</u>
Net Change in Fund Balances	(5,805)	(20,652)	(26,457)
Fund Balances - Beginning	57,682	36,957	94,639
Fund Balances - Ending	<u>\$ 51,877</u>	<u>\$ 16,305</u>	<u>\$ 68,182</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Krista Romaine, CPA, Member  
Charlotte Clark, Member



William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Bob Buchanan, Former Ballard County Judge/Executive  
The Honorable Vickie Viniard, Ballard County Judge/Executive  
Members of the Ballard County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 24, 2008. Ballard County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ballard County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ballard County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Ballard County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Fiscal Court Should Approve All County Employees' Compensation Rates in Accordance With KRS 64.530(1)
- The Quarterly Financial Report Should Be Accurate in Accordance With KRS 68.020(4)

The Ballard County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Krista L. Romaine, CPA*

Krista L Romaine, CPA  
Romaine & Associates, PLLC

April 24, 2008

**BALLARD COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2007**

**BALLARD COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2007**

STATE LAWS AND REGULATIONS

The Fiscal Court Should Approve All County Employees' Compensation Rates in Accordance With KRS 64.530(1)

According to KRS 64.530(1), the Fiscal Court shall annually fix the compensation of each county officer and employee. Currently, the Fiscal Court approves wage compensations for all county employees through the approval of the original budget. In order to comply with KRS 64.530, we recommend that, at the beginning of each fiscal year, a list of each employee, by job position, along with his/her compensation rate, be listed and approved by the Fiscal Court. This list as approved by the Fiscal Court should be documented in the Fiscal Court Order Book.

*Management's Response: It will be done.*

The Quarterly Financial Report Should Be Accurate in Accordance With KRS 68.020(4)

According to KRS 68.020(4), the County Treasurer "shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the State Local Finance Officer". The County Treasurer should prepare a quarterly financial report for the State Local Finance Officer. In addition, the County Judge/Executive is required to keep certain records and make certain reports. The County Judge/Executive may delegate these duties to a finance director. However, the County Judge/Executive is responsible for the county's quarterly financial report pursuant to KRS 68.360(2). The quarterly financial report submitted to the State Local Finance Officer by the County Treasurer was not accurate or complete.

We recommend that the County Treasurer reconcile bank information and certificate of deposits to the balances and amounts stated in the quarterly financial report. We recommend the County Judge/Executive or his designee review the quarterly financial report and supporting documentation to make sure that it is accurate and complete.

*Management's Response: None*